Corp report

1971

WESTEEL-ROSCO LIMITED

annual report

head office
Winnipeg as of April 27, 1972

Westeel-Rosco Metal Wall Systems provide an architectural expression in colour and shadow.

Versatility, performance, economy and appearance have won ready acceptance for insulated metal wall systems on modern buildings.

A wide latitude in design freedom is available to the architect and designer through the surface conformations, the relative weight of vertical or horizontal lines, the shadow patterns cast by the play of light on these surfaces and the choice of colour. All of these elements are involved in the aesthetics of metal wall systems.

Westeel-Rosco wall systems in a broad variety of profiles and gauges are available in pre-painted, galvanized steel, stainless steel and aluminum as well as an abundant choice of textures, finishes and paint systems. Various profiles can be combined for different and unusual design treatments.

Metal wall systems are compatible, architecturally and structurally, with other wall components such as masonry, glass and concrete. In addition, the insulated wall systems provide thermal properties superior to conventional 8″ concrete block walls.

Illustrations above:

1. Gallelli Pipe Plant, Calgary, Alta. T-168 Pre-painted cladding
2. RCA Building, Montreal, Que. Pre-painted T-17 steel cladding
3. Ontario Place, Toronto, Ont. Pre-painted, stucco embossed T-17V aluminum

WESTEEL-ROSCO LIMITED

BOARD OF DIRECTORS

P. F. Fowle — Toronto
Chairman of the Board, Westeel-Rosco Limited

N. J. Alexander — Winnipeg
Managing Partner, Richardson Securities of Canada

E. C. Bovey — Toronto
President and Chief Executive Officer,
Northern and Central Gas Corporation Limited;
President and Director, Le Gaz Provincial du
Nord de Quebec Ltee.

M. A. Buell — Toronto

R. M. Calhoun — Toronto
President, Westeel-Rosco Limited

P. H. Fox — Richmond, Va.
Executive Vice-President, Reynolds International Inc.

W. S. Martin, Q.C. — Winnipeg
Partner, Aikins, MacAulay & Company

A. Piché — Cap-de-la-Madeleine
Executive Vice-President and Managing Director,
Reynolds Aluminum Company of Canada Ltd.

J. L. Reynolds — Richmond, Va.
Chairman and Chief Executive Officer,
Reynolds International Inc.

A. Robertson — Winnipeg
President and General Manager,
The Winnipeg Supply & Fuel Co. Ltd.

WESTEEL-ROSCO LIMITED

OFFICERS

Chairman of the Board	P. F. Fowle
President	R. M. Calhoun
Vice-President & Secretary-Treasurer	J. W. Ross Caldwell
Vice-President	P. F. Davidson
Vice-President	W. D. Dertell
Vice-President	N. C. Dostal
Vice-President	H. Dutton
Vice-President	A. H. Mack

SUBSIDIARIES

Columbia Metal Rolling Mills Limited
P. Graham Bell Associates Limited
Prairie Metal Products Limited
Stran-Steel (Canada) Limited
Westeel-Rosco Erectors Limited
Westeel-Rosco (Ontario) Limited

TRANSFER AGENTS AND REGISTRAR

National Trust Company Limited
Montreal, Toronto, Winnipeg, Regina,
Calgary, Vancouver

BANKERS

The Toronto-Dominion Bank

AUDITORS

Deloitte, Haskins & Sells

COUNSEL

Blake, Cassels & Graydon

FINANCIAL HIGHLIGHTS OF THE YEAR 1971

	1971	1970
SALES	$69,824,000	$69,958,000
EARNINGS (LOSS)	1,919,000	(36,000)
per share	3.96	(.07)
DIVIDENDS paid to shareholders	290,000	290,000
per share	.60	.60
SHAREHOLDERS' INVESTMENT at year end	15,487,000	13,854,000
per share	31.96	28.61
CAPITAL EXPENDITURES	323,000	702,000
DEPRECIATION	720,000	842,000
WORKING CAPITAL	12,360,000	10,324,000

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors have pleasure in presenting this review of the Company's operations for the year ended December 31, 1971 and the related audited financial statements.

Sales for the year totalling \$69,824,000 remained virtually unchanged from the previous year. Net profit, after allowing for income taxes, was \$1,919,000 or \$3.96 per share, compared with a loss of \$36,000 (or 7¢ per share) shown in 1970. Extraordinary gains included in the 1971 earnings totalled \$136,000 or 28¢ per share.

Improvements in our overall performance in 1971 came from many areas. All regions of the parent company showed increases in sales and profits, with a particularly fine contribution being made by the Prairie Region. Manufacturing plants substantially reduced operating and material-handling costs. Major loss areas of 1970 both showed improved performances. Current bank borrowings were substantially reduced through a return to profitable operations and reductions in both accounts receivable and inventories. This, coupled with lower interest rates, resulted in a significant reduction in interest expense. The reduction in income tax rates which took effect on July 1 was also helpful.

Financial Resources

Working capital of \$12,360,000 shows an increase of \$2,036,000. Details of the changes are set out in the Statement of Source and Application of Funds on Page 11. Current bank borrowings were reduced from \$12,429,000 to \$4,797,000. Because of the loss position in 1970, no income tax instalments were payable in 1971.

During the year the Company renegotiated its bank term loan for a further period of five years beginning July 1, 1971. The rate of interest on the new loan is not fixed as before but is related to the prime rate.

Capital expenditures were minimal in 1971, amounting to just \$323,000. For 1972 we expect a return to a more normal level.

Building Products

Sales of our largest product group continued to grow, despite the discontinuance of the manufacture and sale of lockers, a product line which was not showing an acceptable return. All regions recorded sales increases comprised mostly of average-size contracts. An exception was in the Quebec Division, where two large contracts were completed in the mining areas of Northern Quebec and a third for Quebec Hydro near Montreal. Early in 1972 we were awarded a very substantial contract by the Hydro Electric Power Commission of Ontario for decking and siding on the new nuclear-powered Bruce Generating Station.

Flexcon

The Flexcon Division enjoyed a most successful year. We were particularly pleased with its initial penetration of the U.S.A. market. A new system of relocatable partitions, known as Spaceflex, has been developed and a network of distributors for this new product has been set up, both in Canadà and the U.S.A.

Highway & Drainage Products

Throughout the year we continued our policy of selective selling. Volume declined slightly but dollar profits were maintained.

Agricultural Products

Performance in the agricultural field was excellent in all market areas. Late in the year, marketing policy changes were made that should lead to another good year in 1972.

Warehouse Products

Considerable progress was made in our warehousing program, with sales and profitability both showing satisfactory increases. Studies are being conducted that may lead to increased activity in this field.

Cubic Storage Systems

To date this division has failed to live up to our expectations. Late in the year, organization and management changes were made that we feel will strengthen and simplify this operation.

Stran-Steel

1971 was largely a year of settling down at Stran, with much of management's time being engaged with problems created in earlier years. We anticipate profitable operations in 1972.

A closer liaison has been established with Stran U.S.A., and one of their senior personnel joined us to direct this division's marketing program. His presence, together with greater technical and manufacturing support from our licensor, should enable us to increase our participation in this rapidly-expanding field.

P. Graham Bell

Activity in the porcelain-enamelling field was at a low level throughout the year. Sales and profits were both reduced as a result. Management is actively engaged in seeking other product lines to augment production and sales of this subsidiary.

Prairie Metal Products

This subsidiary experienced a most successful year. Midway through 1971, in order to better utilize Prairie Metal Products' management skills, we integrated in part the operations of Prairie Metal Products with the Saskatchewan branches of the parent company. This move proved so successful that full integration was inaugurated in January, 1972. We are confident that an even more effective and efficient operation in this province will result.

Northland Machinery

Most satisfactory progress was made in this subsidiary and sales volume increased slightly during the year. Surplus facilities and equipment were disposed of and its product lines considerably streamlined. Effective January 1, 1972, the operations of Northland Machinery Supply Limited were consolidated with those of the parent company and it will now operate as the Northland Branch of the Ontario Division. This move should improve profits in 1972.

Illustrations

The photographs appearing in this report hold unusual interest and appeal. The majority of them have been prepared for use in trade catalogues which are most important reference books for Canadian archi-

tects, engineers and contractors. The illustrations included in this annual report help to keep shareholders abreast of Company activities and products.

Outlook

Changes reported in this review should be of continuing benefit in the future. Study programs are currently under way, with heavy emphasis on personnel training and employee relations, accounting controls, and manufacturing methods and procedures. The Company's marketing policies are being reviewed in depth and its research and development program accelerated. These studies are expected to produce new enthusiasms, further efficiencies, and have a beneficial effect on 1972 and future operations.

The business climate appears more promising for 1972. The consensus of the economic forecasts is for a real growth in the gross national product of 6%. A healthy construction year is in prospect, and there are indications of an improvement in the economy of the Prairie Provinces. The Company's order backlog entering the new year indicates agreement with these predictions. Your directors are confident about 1972 and anticipate a profitable year.

Personnel

Throughout the year many changes were made that have led to a greatly strengthened management. This program of change and re-alignment will continue in 1972.

The year 1971, particularly the early months, was a difficult period for many of our staff. Your Board of Directors would like to extend its gratitude to the management and employees whose loyalty and accomplishments have made possible the progress achieved during the past year.

Submitted on behalf of the Board.

P. F. FOWLE,
Chairman of the Board
R. M. CALHOUN,
President

Toronto, March 24, 1972

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

Consolidated Balance Sheet
December 31, 1971
(with comparative figures at December 31, 1970)

ASSETS

	1971	1970
Current:		
Accounts receivable	$16,805,000	$18,001,000
Inventories – valued at the lower of cost or net realizable value	11,953,000	13,837,000
Prepaid expenses	108,000	174,000
Total current assets	28,866,000	32,012,000
Other:		
Mortgages receivable	938,000	1,001,000
Fixed – at cost:		
Land	841,000	858,000
Buildings	8,089,000	8,144,000
Machinery and equipment	9,924,000	10,195,000
	18,854,000	19,197,000
Less accumulated depreciation	12,105,000	11,729,000
Total fixed assets	6,749,000	7,468,000
Total Assets	$36,553,000	$40,481,000

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
Current:		
Bank borrowings (note 1)	$ 4,797,000	$12,429,000
Accounts payable and accrued charges	7,806,000	7,218,000
Income and other taxes payable	1,922,000	230,000
Deferred income taxes – current portion	1,814,000	1,609,000
Current instalments on long-term debt	167,000	202,000
Total current liabilities	16,506,000	21,688,000
Long-term debt (note 2)	4,500,000	4,698,000
Deferred income taxes – non-current portion	60,000	241,000
Shareholders' equity:		
Capital stock (note 3):		
Authorized: 2,000,000 common shares without par value		
Issued: 484,604 common shares	1,573,000	1,569,000
Contributed surplus (no transactions during year)	500,000	500,000
Retained earnings (note 2)	13,414,000	11,785,000
Total shareholders' equity	15,487,000	13,854,000
Total liabilities and shareholders' equity	$36,553,000	$40,481,000

Approved by the Board: P. F. FOWLE, Director
R. M. CALHOUN, Director

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

Consolidated Statement of Income
Year ended December 31, 1971
(with comparative figures for the year 1970)

	1971	1970
Sales	$69,824,000	$69,958,000
Cost of sales, selling, administrative and financial expenses before the following:—	64,647,000	67,748,000
Depreciation	720,000	842,000
Interest expense (including, 1971 – $355,000; 1970 – $355,000 on long-term debt)	933,000	1,451,000
Income taxes (recoverable)	1,741,000	(47,000)
	68,041,000	69,994,000
Income (loss) before extraordinary item	1,783,000	(36,000)
Extraordinary item:		
Net gain on disposal of discontinued operations (less income taxes of $40,000)	136,000	–
Net income (loss) for the year	$ 1,919,000	$ (36,000)

	1971	1970
Earnings (loss) per share:		
Before extraordinary item	$3.68	$(.07)
Extraordinary item	.28	–
Net income (loss) for the year	$3.96	$(.07)

Consolidated Statement of Retained Earnings
Year ended December 31, 1971
(with comparative figures for the year, 1970)

	1971	1970
Balance, beginning of year	$11,785,000	$12,111,000
Net income (loss) for the year	1,919,000	(36,000)
	13,704,000	12,075,000
Dividends paid during the year	290,000	290,000
Balance, end of year	$13,414,000	$11,785,000

The accompanying notes are an integral part of the financial statements.

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds
Year Ended December 31, 1971
(with comparative figures for the year 1970)

	1971	1970
SOURCE OF FUNDS:		
Net income (loss) for the year	$1,919,000	$ (36,000)
Add (deduct):		
Depreciation	720,000	842,000
Deferred income taxes	(181,000)	(129,000)
Gain on sale of fixed assets	(159,000)	(72,000)
Funds from operations	2,299,000	605,000
Proceeds from disposal of fixed assets	481,000	216,000
Decrease (increase) in mortgages receivable	63,000	(29,000)
Issue of capital stock	4,000	–
	2,847,000	792,000
APPLICATION OF FUNDS:		
Purchase of fixed assets	323,000	702,000
Dividends paid	290,000	290,000
Reduction in long-term debt	198,000	196,000
	811,000	1,188,000
Increase (decrease) in consolidated working capital	$2,036,000	$ (396,000)

The accompanying notes are an integral part of the financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Security for bank borrowings**
Accounts receivable and inventories are pledged as security for bank borrowings.

2. **Long-term debt**

	1971	1970
Debenture, payable in equal annual instalments to 1975 with interest at 7.25% (against which certain fixed assets are pledged)	$ 500,000	$ 667,000
Bank term loan, payable in 1976 (against which accounts receivable and inventories are pledged)	4,000,000	4,000,000
Other	–	31,000
Total long-term debt (net of current instalments)	$4,500,000	$4,698,000

Debt maturities during the next five years are as follows:
1972 through 1975 – $167,000 annually: 1976 – $4,000,000.

The agreement with the holder of the debenture requires the company to maintain consolidated working capital of at least $6,500,000 and contains certain dividend restrictions. At December 31, 1971, $1,706,000 (1970 – $770,000) of retained earnings was not restricted.

3 **Common shares issued**
During the year, 400 common shares were issued for $4,100 under a stock option granted to a director. There are no further stock options outstanding.

4. **Remuneration of directors and officers**

	1971	1970
Remuneration of directors, as directors	$ 16,000	$ 14,000
Remuneration of officers, as officers	$313,000	285,000
Number of directors	10	10
Number of officers during the year	11	10
Number of officers who are directors	2	2

5. **Comparative figures**
The figures for the year ended December 31, 1970 are provided for purposes of comparison only as they are covered by the report of other chartered accountants and are not covered by the accompanying opinion of Deloitte, Haskins & Sells. Certain of the 1970 figures have been reclassified to conform with the 1971 presentation.

AUDITORS' REPORT

To the Shareholders of
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants.

Toronto, Ontario
February 14, 1972.

WESTEEL-ROSCO LIMITED

TEN YEAR COMPARISON

(IN THOUSANDS OF DOLLARS)

		1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Sales	$	69,824	69,958	72,469	68,989	60,256	66,866	59,180	26,473	25,760	26,459
Operating profit (loss)	$	3,524	(83)	1,621	639	1,449	3,028	1,957	525	(150)	533
% operating profit (loss) to sales		5.05%	(.12%)	2.24%	.93%	2.40%	4.53%	3.31%	1.98%	(.58%)	2.01%
Income taxes (recoverable)	$	1,741	(47)	860	372	747	1,529	917	135	–	230
Net income (loss)	$	1,919	(36)	970	310	751	1,505	1,202	242	(178)	303
Common shares outstanding		484,604	484,204	484,204	484,204	484,204	482,204	480,404	476,504	472,604	472,604
Earnings (loss) per common share	$	3.96	(.07)	2.00	.64	1.55	3.12	2.50	.51	(.38)	.64
Dividends per common share	$	.60	.60	.60	.60	.60	.60	.15	.15	.15	.15
Working capital	$	12,360	10,324	10,720	10,132	11,380	7,182	7,103	5,405	6,489	8,168
Working capital ratio		1.75	1.48	1.48	1.46	1.79	1.36	1.39	1.33	2.33	3.50
Capital expenditures	$	323	702	1,330	2,028	652	1,124	761	333	1,678	510
Depreciation	$	720	842	892	943	789	799	796	545	575	498
Gross assets	$	36,553	40,481	41,855	41,440	33,803	35,618	33,206	29,679	17,219	16,046
Book value per common share	$	31.96	28.61	29.28	27.88	27.84	26.96	24.49	22.23	21.97	22.50
Earnings (loss) as percentage of shareholders' equity – Jan 1.		13.85%	(0.25%)	7.19%	2.30%	5.78%	12.79%	11.34%	2.33%	(1.7%)	2.92%

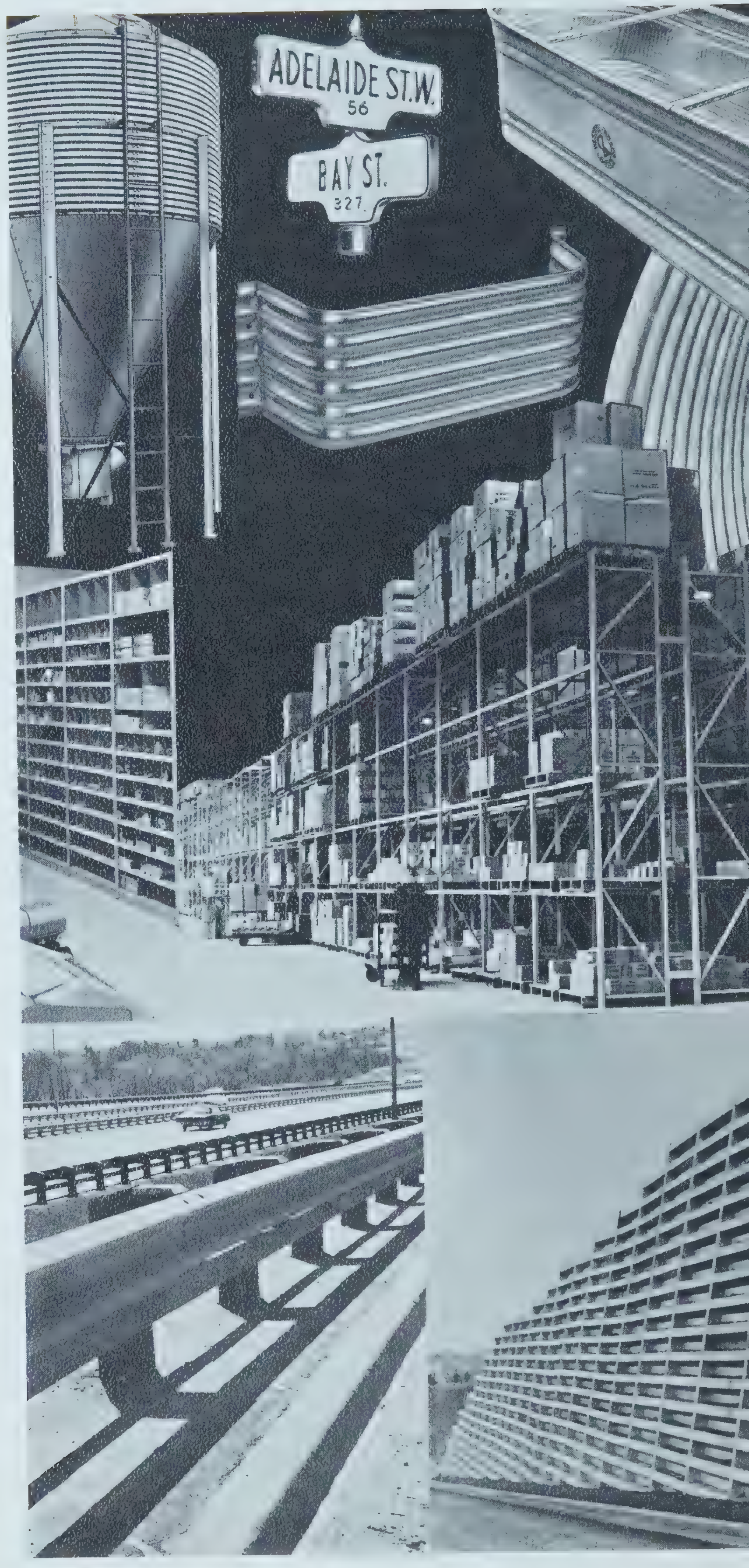
Imaginative fabrication of metal to meet a growing country's needs

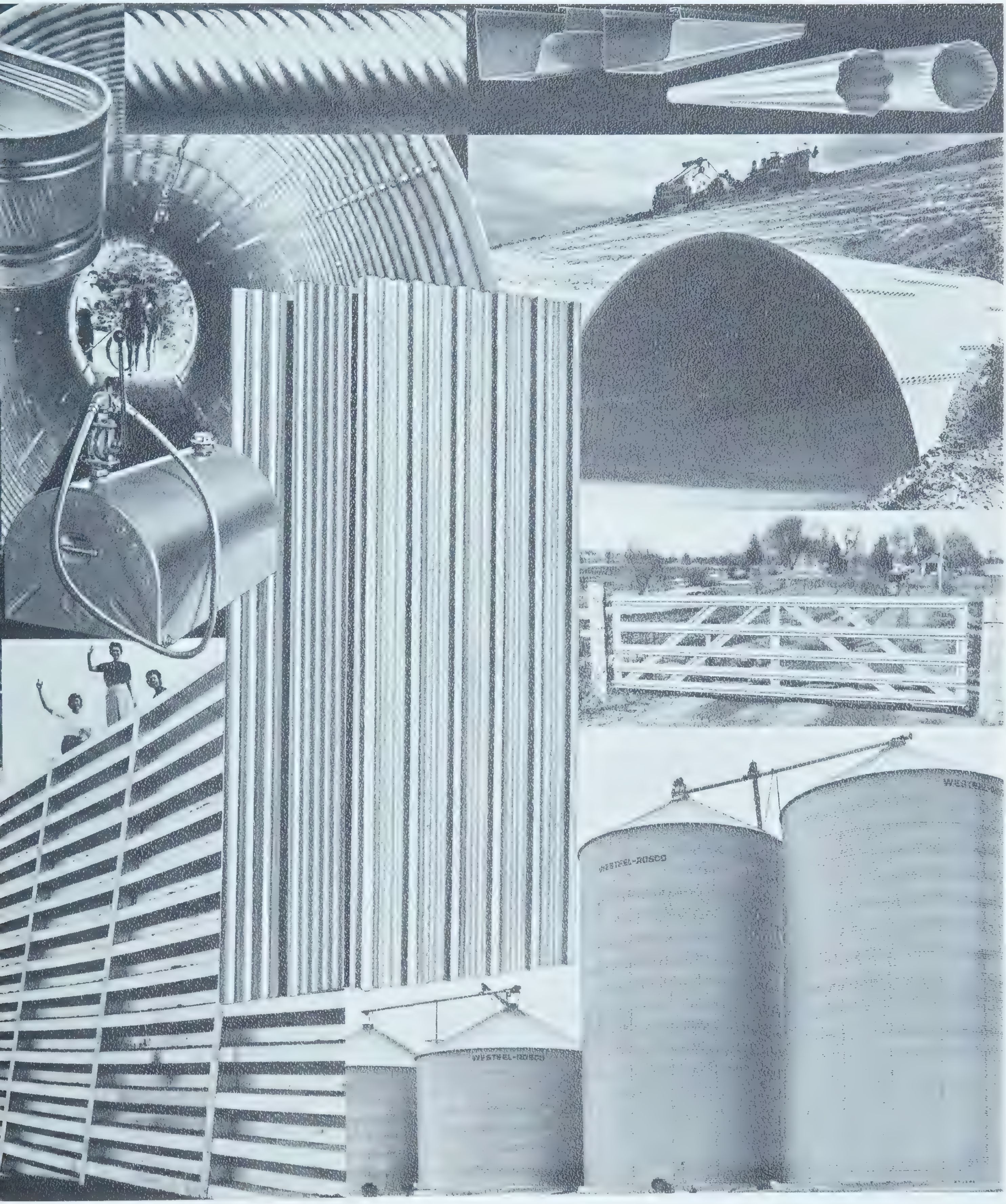
Westeel-Rosco, its divisions and subsidiaries, are all engaged in shaping metal to the needs of Canada's growing industry and its export markets.

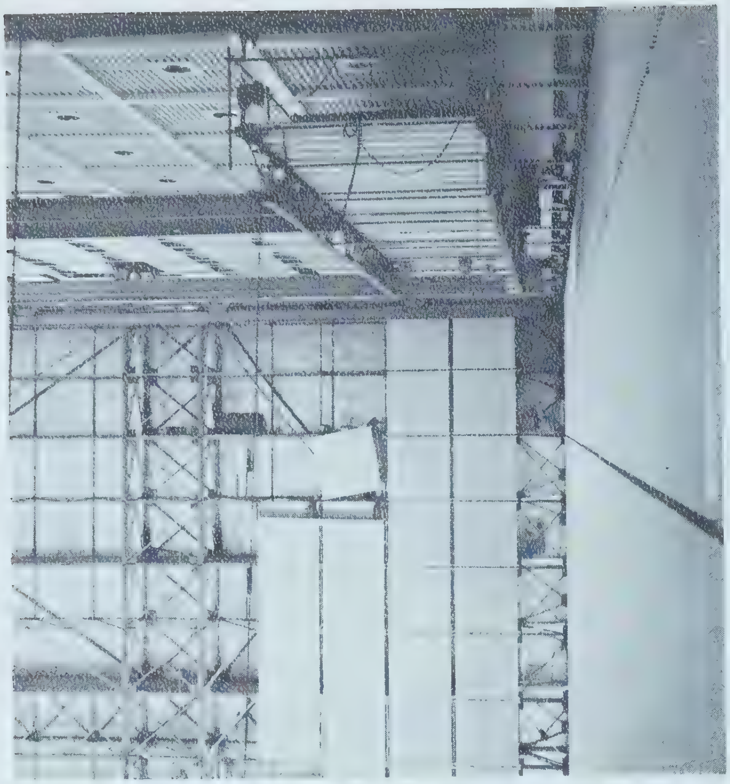
Structural building products and their erection, architectural specialty components, agricultural products, agri-systems, highway and drainage products, grain terminal equipment, residential building products, storage systems and pre-engineered buildings — these are just a few of the areas of metal fabrication in which Westeel-Rosco is a leader.

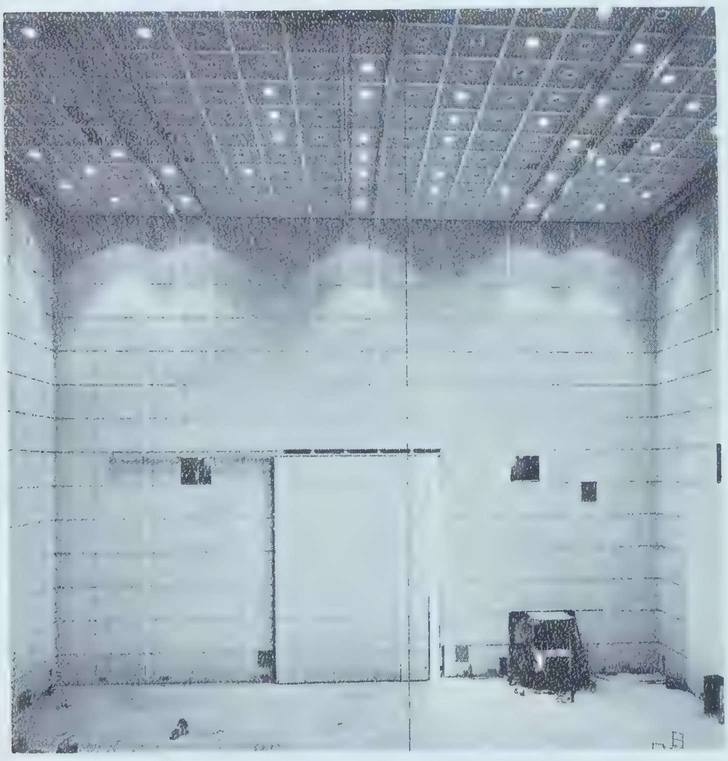
The versatility of metal is continually finding new expressions in the experienced hands of Westeel-Rosco — engineering and fabricating metal for to-day's requirements and to-morrow's demanding developments.

culverts
grain bins
dryers
[illegible]
[illegible] offices [illegible]
floor deck
roof
siding
fuel tanks




WESTEEL-ROSCO
WESTEEL-ROSCO





Dampening dangerous decibels

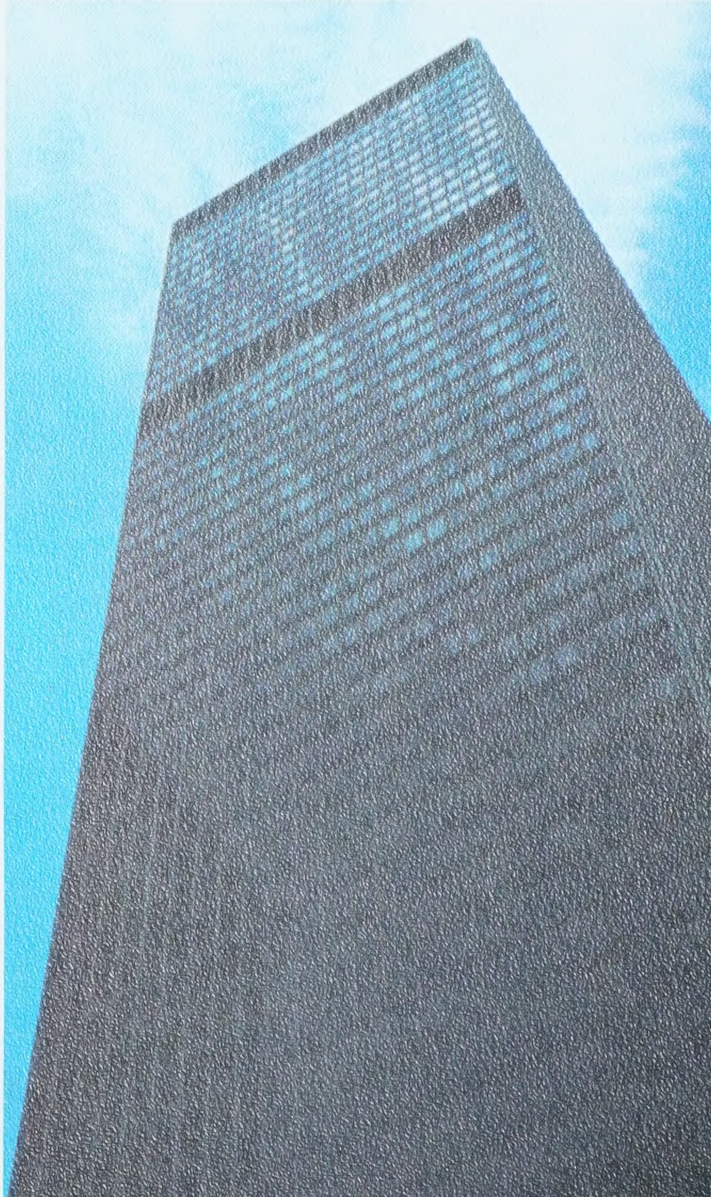
Noise is costly. It reduces efficiency, creates tension and is a positive health hazard.

Westeel-Rosco metal acoustic systems for walls and ceilings provide an efficient, economical method of noise control for corridors, offices, cafeterias, arenas, classrooms, auditoriums, factories and stores.

These walls and ceilings combine structural and acoustic functions and give effective noise reduction coefficients of up to .70.

Westeel-Rosco formed and erected the pre-painted acoustic panels for the walls and ceiling of Quebec Hydro's huge (275 x 255 x 167½ ft. high) new high-voltage labratory at Varennes outside of Montreal. The perforated trapezoidal panels are designed to not only deaden the noise of the high voltage discharge but also to shield neighboring electrical equipment from any electromagnetic waves of high tension electricity.

With Hi-Bond cellular steel floor, outlets for electrical power and communication circuits can be relocated quickly and easily to satisfy changing requirements.



Hi-Bond cellular steel floor provides electrification capacity for to-morrow's needs.

Hi-Bond floor deck incorporates integral lugs in the vertical webs of the steel deck to provide a firm, mechanical bond between the deck and the concrete over it. Thus the concrete and Hi-Bond deck combine to become a structural element to share the structural loads. Hi-Bond cellular steel flooring provides built-in electrification cell patterns in a wide variety of combinations to meet virtually any design module.

Buildings now in the planning stage must provide electrification capacity for present and future needs — for equipment that doesn't even exist at present — for the flexibility and growth that will be the prime requirements of modern and dynamic tenant organizations. Hi-Bond cellular steel floor provides that capacity.

WESTEEL-ROSCO LIMITED

ANNUAL REPORT 1971

Printed in Canada

AR42

JUNE 30, 1971

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INTERIM REPORT TO SHAREHOLDERS

The following unaudited Income Statement shows that your Company earned $57,000 in the first half of 1971 compared to a loss of $350,000 for the same period in 1970.

Sales were at approximately the same level.

We expect the improving trend in earnings to continue throughout the balance of the year.

On Behalf of the Board,

R. M. Calhoun,
President.

August 11, 1971.

WESTEEL-ROSCO LIMITED

WESTEEL-ROSCO LIMITED

INTERIM REPORT TO SHAREHOLDERS

CONSOLIDATED INCOME STATEMENT*

($000's)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30/71	JUNE 30/70	JUNE 30/71	JUNE 30/70
Sales	$17,869	$16,976	$29,313	$29,191
Cost of Sales, Selling, Administration and Financial Expense before the following:	16,741	16,336	28,593	29,244
Depreciation	216	265	426	532
Interest on long term debt	87	94	172	183
Provision for income taxes	440	137	65	(418)
	17,484	16,832	29,256	29,541
Net Profit or (Loss)	$ 385	$ 144	$ 57	$ (350)
Per Share	80¢	30¢	12¢	(72¢)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*

	SIX MONTHS ENDED	
	JUNE 30/71	JUNE 30/70
Source of Funds		
Net Profit or (Loss)	$57,000	$(350,000)
Add Charges which did not reduce Working Capital Depreciation	426,000	532,000
Funds from Operations	$483,000	$ 182,000
Decrease (increase) in mortgages receivable	31,000	(60,000)
	$514,000	$ 122,000
Application of Funds		
Decrease in long term debt	167,000	166,000
Purchase of fixed assets less proceeds on disposal	36,000	186,000
Dividends paid	145,000	145,000
	$348,000	$ 497,000
Increase (decrease) in Working Capital	$166,000	$(375,000)

**This statement is unaudited*